

MOTION BY SUPERVISOR MICHAEL D. ANTONOVICH

JULY 22, 2003

At the request of the Board of Supervisors, the County's Auditor-Controller conducted an audit of the La Vina Mello-Roos Community Facilities District (Community Facilities District No. 7, or CFD No. 7). The Auditor-Controller recently completed the audit and submitted its findings to the Board of Supervisors on July 9, 2003.

As a component of the original approval for the La Vina project in Altadena, the County authorized the formation of a Mello-Roos community facilities district. In theory the County issues bonds under a CFD and the proceeds of these bonds are drawn down by the project developer as public improvements are designed and constructed. The bonds are retired over a lengthy period (typically 20 or 30 years) by assessments on each tract in a subdivision. The intent is to provide for costly public improvements up front and to pay for these improvements over time; ideally this reduces the costs of homes in the tracts and spreads the financial burden out over many years.

Based upon what the Auditor-Controller has revealed, what occurred at the La Vina project is inconsistent both with State law and with existing County policies. The La Vina developer has been reimbursed for unallowable costs (items not eligible under Mello-Roos or Board policies) and questionable costs (unsupported-inadequately supported items). As reported by the Auditor-Controller, errors include double-billing by the developer, reimbursements that exceeded caps established in the CFD agreement between the developer and the County, and inadequate documentation of invoices. The audit documents a pattern of behavior on the developer's part that is suspect at best and may have violated State law. The Department of Public Works oversight was careless and significantly below what the public expects of County employees. The public in general, and residents of La Vina in particular, have a legitimate right to be outraged.

- M O R E -

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MOLINA	_____
YAROSLAVSKY	_____
KNABE	_____
ANTONOVICH	_____
BURKE	_____

The audit makes several recommendations both to correct errors on this community facilities district and to prevent similar errors from occurring on future CFD's. In addition to the recommendations in the audit, the greater issue of public trust in government must also be addressed. Given the developer's record in this case, such as submitting invoices twice and submitting invoices for items not eligible for reimbursement, it is incumbent upon the County to enact a penalty on the developer of the La Vina project. The penalty should reflect both the severity of these infractions and serve as an incentive to developers to comply with State law and County policies concerning Mello-Roos community facilities districts.

**I, THEREFORE, MOVE** that the following issues be investigated with a report back to the Board of Supervisors within 14 days:

- The County Counsel explore legal action against the La Vina developer.
- The Department of Public Works, Regional Planning, and the Auditor-Controller to recommend penalties that can be imposed upon the developer of the La Vina project.
- The Department of Public Works, Auditor-Controller and Chief Administrative Office to report back to the Board of Supervisors concerning the recommendations in the Auditor-Controller's audit of the La Vina project.

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melloroos/lavina